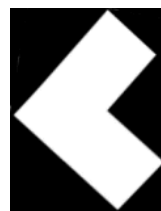


Town of Courtland, Virginia
Annual Comprehensive Financial Report
Year Ended June 30, 2025



Creedle, Jones
& Associates, P.C.
Certified Public Accountants

Town of Courtland, Virginia

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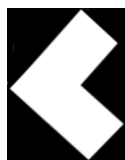
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FINANCIAL SECTION



**Creedle
Jones
& Associates**

A Professional Corporation

*Robin B. Jones, CPA, CFP
Kimberly W. Jackson, CPA*

Sherwood H. Creedle, Founder

*Members of
American Institute of Certified Public Accountants
Virginia Society of Certified Public Accountants*

INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Courtland, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Courtland, Virginia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town of Courtland, Virginia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Courtland, Virginia, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Courtland, Virginia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2025, the Town adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*, GASB Statement No. 102, *Certain Risk Disclosures*, and GASB Statement No. 103, *Financial Reporting Model Improvements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Courtland, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Courtland, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Courtland, Virginia's ability to continue as a going concern for a reasonable period of time.

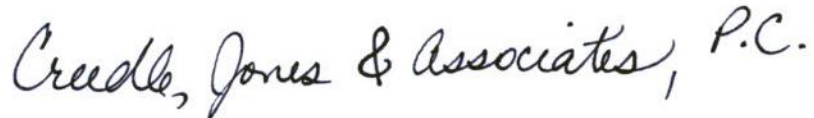
We are required to be communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 1-7, 57-60, and 61-69 be presented to supplement the basic financial statements. Such information, is the responsibility of management, and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2026, on our consideration of the Town of Courtland, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Courtland, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Courtland, Virginia's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Creedle, Jones & Associates, P.C." in a cursive script.

Creedle, Jones & Associates, P.C.
Certified Public Accountants

South Hill, Virginia
May 28, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Courtland, Virginia presents the following discussion and analysis as an overview of the Town of Courtland, Virginia's financial activities for the fiscal year ending June 30, 2025. We encourage readers to read this discussion and analysis in conjunction with the Town's basic financial statements.

FINANCIAL HIGHLIGHTS

- At the close of the fiscal year, the assets and deferred outflows of resources of the Town's governmental activities exceeded its liabilities and deferred inflows of resources by \$1,266,446. Of this amount, \$874,134 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. For the business-type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$513,579 with an unrestricted balance of \$402,090.
- The Town's total net position decreased by \$41,307 during the current fiscal year. Of this amount, a decrease of \$75,356 before transfers, is related to governmental activities and an increase of \$34,049 before transfers, is attributed to business-type activities.
- As of June 30, 2025, the Town's Governmental Funds reported combined ending fund balances of \$692,267, a decrease of \$33,906 in comparison with the prior year.
- At the end of fiscal year 2025, the general fund unassigned fund balance was \$558,901, or approximately 104.3% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those found in the private sector. They also report the Town's net position and how they have changed during the fiscal year.

Statement of Net Position: presents information on all of the Town's assets and liabilities. The difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources can be used as one way to measure the Town's financial health or financial condition. Over time, increases or decreases in the net position can be one indicator of whether the Town's financial condition is improving or deteriorating. Other nonfinancial factors will also need to be considered, such as changes in the Town's property tax base and the condition of Town facilities.

Statement of Activities: presents information using the accrual basis accounting method and shows how the Town's net position changed during the fiscal year. All of the current year's revenues and expenses are shown in the Statement of Activities, regardless of when cash is received or paid.

The government-wide financial statements distinguish governmental activities from business-type activities identified as the primary government. The governmental activities of the Town include general government administration, public safety, public works, and parks, recreation and cultural. Public utilities represent the business-type activities.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole. Major funds are separately reported.

The Town has two types of funds:

Governmental Funds - Most of the Town's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year end that are available for spending. The Governmental Funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Special Revenue Fund, all of which are considered to be major funds.

Proprietary Funds – The Town uses an Enterprise Fund which operates in a manner similar to private business enterprises. Costs are recovered primarily through user charges. Proprietary Fund financial statements provide both long and short-term financial information.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Other

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information such as the budgetary comparison schedule.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2025 and 2024

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Assets						
Current	\$ 761,016	\$ 785,358	\$ 405,504	\$ 388,356	\$ 1,166,520	\$ 1,173,714
Capital assets (net)	392,312	426,828	111,489	123,508	503,801	550,336
Other assets	248,030	221,778	-	-	248,030	221,778
Total Assets	1,401,358	1,433,964	516,993	511,864	1,918,351	1,945,828
Deferred Outflows of Resources	35,928	28,957	-	-	35,928	28,957
Total Assets and Deferred Outflows of Resources	<u>\$ 1,437,286</u>	<u>\$ 1,462,921</u>	<u>\$ 516,993</u>	<u>\$ 511,864</u>	<u>\$ 1,954,279</u>	<u>\$ 1,974,785</u>
Liabilities						
Other liabilities	\$ 7,510	\$ 5,540	\$ 3,414	\$ 2,614	\$ 10,924	\$ 8,154
Long-term liabilities	97,938	93,929	-	-	97,938	93,929
Total Liabilities	105,448	99,469	3,414	2,614	108,862	102,083
Deferred Inflows of Resources	65,392	51,370	-	-	65,392	51,370
Net Position						
Net investment in capital assets	392,312	426,828	111,489	123,508	503,801	550,336
Unrestricted	874,134	885,254	402,090	385,742	1,276,224	1,270,996
Total Net Position	<u>1,266,446</u>	<u>1,312,082</u>	<u>513,579</u>	<u>509,250</u>	<u>1,780,025</u>	<u>1,821,332</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,437,286</u>	<u>\$ 1,462,921</u>	<u>\$ 516,993</u>	<u>\$ 511,864</u>	<u>\$ 1,954,279</u>	<u>\$ 1,974,785</u>

Statement of Activities

The following table summarizes revenues and expenses for the primary government:

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2025 and 2024

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Revenues						
Program Revenues						
Charges for services	\$ 25,637	\$ 24,448	\$ 98,835	\$ 103,720	\$ 124,472	\$ 128,168
Operating grants and contributions	54,426	53,064	-	-	54,426	53,064
General Revenues						
General property taxes, real and personal	263,247	218,571	-	-	263,247	218,571
Other taxes	123,764	130,831	-	-	123,764	130,831
Grants and contributions not restricted to specific programs	41,810	41,778	-	-	41,810	41,778
Unrestricted revenues from use of money and property (loss)	(19,867)	39,716	12,674	15,139	(7,193)	54,855
Miscellaneous	3,227	4,663	-	-	3,227	4,663
Total Revenues	492,244	513,071	111,509	118,859	603,753	631,930
Expenses						
General government administration	205,432	190,815	-	-	205,432	190,815
Public safety	165,009	156,969	-	-	165,009	156,969
Public works	186,729	208,443	-	-	186,729	208,443
Parks, recreation, and cultural	10,430	465	-	-	10,430	465
Water and sewer	-	-	77,460	79,874	77,460	79,874
Total Expenses	567,600	556,692	77,460	79,874	645,060	636,566
Increase (Decrease) in Net Position Before Transfers	(75,356)	(43,621)	34,049	38,985	(41,307)	(4,636)
Transfers	29,720	(9,774)	(29,720)	9,774	-	-
Increase (Decrease) in Net Position	(45,636)	(53,395)	4,329	48,759	(41,307)	(4,636)
Beginning Net Position	1,312,082	1,365,477	509,250	460,491	1,821,332	1,825,968
Ending Net Position	<u>\$1,266,446</u>	<u>\$ 1,312,082</u>	<u>\$ 513,579</u>	<u>\$ 509,250</u>	<u>\$ 1,780,025</u>	<u>\$ 1,821,332</u>

Governmental activities decreased the Town's net position by \$45,636 for fiscal year 2025. Revenues from governmental activities totaled \$492,244. General property taxes, real and personal comprise the largest source of these revenues, totaling \$263,247 or 53.5% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$567,600. General government administration was the Town's largest program with expenses totaling \$205,432 or 36.2% of all governmental activities expenses.

Business-type activities increased the Town's net position by \$4,329. Revenues from business-type activities totaled \$111,509. Expenses for the business-type activities totaled \$77,460.

For the Town's governmental activities, the net expense (total cost less fees generated by the activities and program-specific governmental aid) is illustrated in the following table:

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2025 and 2024

	<u>2025</u>		<u>2024</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 205,432	\$ (205,432)	\$ 190,815	\$ (190,815)
Public safety	165,009	(102,194)	156,969	(97,874)
Public works	186,729	(169,481)	208,443	(190,026)
Parks, recreation, and cultural	<u>10,430</u>	<u>(10,430)</u>	<u>465</u>	<u>(465)</u>
Total	<u>\$ 567,600</u>	<u>\$ (487,537)</u>	<u>\$ 556,692</u>	<u>\$ (479,180)</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The Town's governmental funds reported combined ending fund balances of \$692,267. The combined governmental fund balance decreased \$33,906 from the prior year.

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$558,901. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 104.3% of total fund expenditures.

The Water Fund contributed \$17,034 in operating funds to finance the governmental funds operations.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town's General Fund saw a decrease in fund balance of \$54,839, with an ending fund balance of \$558,901.

General property taxes exceeded budget by \$7,753. Revenue from use of money and property was less than budget by \$34,376 due to a decrease in the value of stock held by the Town.

The 2025 General Fund expenditures were within budget by \$36,414.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2025, the Town's governmental activities net capital assets total \$392,312, which represents a net decrease of \$34,516 or 8.09% over the previous fiscal year-end balance. The business-type activities net capital assets total \$111,489, a decrease of \$12,019 or 9.73% over the previous fiscal year, as summarized in the following table:

Change in Capital Assets

Governmental Activities

	<u>Balance July 1, 2024</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2025</u>
Land	\$ 244,600	\$ -	\$ 244,600
Buildings and improvements	68,900	-	68,900
Vehicles and equipment	467,275	-	467,275
Total Capital Assets	780,775	-	780,775
Less: Accumulated depreciation	(353,947)	(34,516)	(388,463)
Total Capital Assets, Net	<u>\$ 426,828</u>	<u>\$ (34,516)</u>	<u>\$ 392,312</u>

Business-Type Activities

	<u>Balance July 1, 2024</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2025</u>
Infrastructure	\$ 471,919	\$ -	\$ 471,919
Vehicles and equipment	42,701	-	42,701
Total Capital Assets	514,620	-	514,620
Less: Accumulated depreciation	(391,112)	(12,019)	(403,131)
Total Capital Assets, Net	<u>\$ 123,508</u>	<u>\$ (12,019)</u>	<u>\$ 111,489</u>

Long-Term Debt

As of June 30, 2025, the Town's long-term obligations total \$48,805.

	<u>Balance July 1, 2024</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2025</u>
Governmental Activities			
Compensated absences	\$ 46,481	\$ 2,324	\$ 48,805
Total Governmental Activities	<u>\$ 46,481</u>	<u>\$ 2,324</u>	<u>\$ 48,805</u>

More detailed information on the Town's long-term obligations is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2025 budget.

The average unemployment rate for the Town of Courtland, Virginia in June 2025, which uses Southampton County, Virginia's rate, was 4.1%. This compares unfavorably to the state's rate of 3.9% and the same as the national rate of 4.1%.

The estimate in April 2020 by the University of Virginia Weldon Cooper Center is a population of 1,295.

These rates along with other indicators were taken into account when adopting the General Fund budget for 2026, which accounts for most of the Town's operational costs. The fiscal year 2025 adopted budget anticipates General Fund revenues to be \$512,269, a 16.95% increase over the fiscal year 2025 original budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Clerk, Town of Courtland, Virginia, P.O. Box 39, 22219 Meherrin Road, Courtland, Virginia 23837, telephone 757-653-2222.

BASIC FINANCIAL STATEMENTS

Town of Courtland, Virginia

Statement of Net Position

At June 30, 2025

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current Assets			
Cash and investments	\$ 698,356	\$ 398,170	\$ 1,096,526
Receivables, net	62,660	7,334	69,994
Total Current Assets	761,016	405,504	1,166,520
Capital Assets			
Land	244,600	-	244,600
Other capital assets, net of accumulated depreciation	147,712	111,489	259,201
Capital Assets, Net	392,312	111,489	503,801
Other Assets			
Net pension asset	248,030	-	248,030
Total Other Assets	248,030	-	248,030
Total Assets	1,401,358	516,993	1,918,351
Deferred Outflows of Resources			
Pension	8,022	-	8,022
OPEB	27,906	-	27,906
Total Deferred Outflows of Resources	35,928	-	35,928
Total Assets and Deferred Outflows of Resources	\$ 1,437,286	\$ 516,993	\$ 1,954,279
Liabilities			
Current Liabilities			
Accounts payable and accrued expenses	\$ 7,510	\$ 3,414	\$ 10,924
Total Current Liabilities	7,510	3,414	10,924
Long-Term Liabilities			
Net OPEB liability	49,133	-	49,133
<i>Due within one year</i>			
Compensated absences	4,880	-	4,880
<i>Due in more than one year</i>			
Compensated absences	43,925	-	43,925
Total Long-Term Liabilities	97,938	-	97,938
Total Liabilities	105,448	3,414	108,862
Deferred Inflows of Resources			
Pension	26,782	-	26,782
OPEB	38,610	-	38,610
Total Deferred Inflows of Resources	65,392	-	65,392
Net Position			
Net investment in capital assets	392,312	111,489	503,801
Unrestricted	874,134	402,090	1,276,224
Total Net Position	1,266,446	513,579	1,780,025
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 1,437,286	\$ 516,993	\$ 1,954,279

The accompanying notes to the financial statements are an integral part of this statement.

Town of Courtland, Virginia

Statement of Activities

For the Year Ended June 30, 2025

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>
Primary Government					Total
Governmental Activities					
General government administration	\$ 205,432	\$ -	\$ -	\$ (205,432)	\$ (205,432)
Public safety	165,009	8,389	54,426	(102,194)	(102,194)
Public works	186,729	17,248	-	(169,481)	(169,481)
Parks, recreation, and cultural	10,430	-	-	(10,430)	(10,430)
Total Governmental Activities	567,600	25,637	54,426	(487,537)	(487,537)
Business-Type Activities					
Water Fund	77,460	98,835	-		\$ 21,375
Total Business-Type Activities	77,460	98,835	-		21,375
Total Primary Government	\$ 645,060	\$ 124,472	\$ 54,426		(466,162)
General Revenues					
Taxes					
General property taxes, real and personal				263,247	-
Other local taxes				123,764	-
Grants and contributions not restricted to specific programs				41,810	-
Unrestricted revenues from use of money and property (loss)				(19,867)	12,674
Miscellaneous				3,227	-
Transfers				29,720	(29,720)
Total General Revenues and Transfers				441,901	(17,046)
Change in Net Position				(45,636)	4,329
Net Position - Beginning of Year				1,312,082	509,250
Net Position - End of Year				\$ 1,266,446	\$ 513,579
					\$ 1,780,025

The accompanying notes to the financial statements are an integral part of this statement.

Town of Courtland, Virginia

Balance Sheet

Governmental Funds

At June 30, 2025

	<u>General Fund</u>	<u>Special Revenue Trash Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and investments	\$ 566,411	\$ 131,945	\$ 698,356
Property taxes receivable, net	61,239	-	61,239
Accounts receivable	-	1,421	1,421
	<u>-</u>	<u>1,421</u>	<u>1,421</u>
Total Assets	<u>\$ 627,650</u>	<u>\$ 133,366</u>	<u>\$ 761,016</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 7,510	\$ -	\$ 7,510
	<u>7,510</u>	<u>-</u>	<u>7,510</u>
Total Liabilities	7,510	-	7,510
Deferred Inflows of Resources			
Unavailable revenue - property taxes	61,239	-	61,239
	<u>61,239</u>	<u>-</u>	<u>61,239</u>
Total Deferred Inflows of Resources	61,239	-	61,239
Fund Balance			
Assigned	-	133,366	133,366
Unassigned	558,901	-	558,901
	<u>558,901</u>	<u>-</u>	<u>558,901</u>
Total Fund Balance	<u>558,901</u>	<u>133,366</u>	<u>692,267</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 627,650</u>	<u>\$ 133,366</u>	<u>\$ 761,016</u>

The accompanying notes to the financial statements are an integral part of this statement.

Town of Courtland, Virginia

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

At June 30, 2025

Total Fund Balances for Governmental Funds	\$	692,267
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	\$	244,600
Vehicles and equipment, net of accumulated depreciation		<u>147,712</u>
Total Capital Assets		392,312
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue, taxes		61,239
Deferred outflows and inflows of resources related to pensions and OPEB liabilities applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions		8,022
Deferred outflows of resources related to OPEB		27,906
Deferred inflows of resources related to pensions		(26,782)
Deferred inflows of resources related to OPEB liability		<u>(38,610)</u>
Total Deferred Outflows and Inflows of Resources		(29,464)
Liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.		
Balances of long-term liabilities affecting net position are as follows:		
OPEB liability		(49,133)
Compensated absences		(48,805)
Pension asset		<u>248,030</u>
Total		<u>150,092</u>
Total Net Position of Governmental Activities	\$	<u><u>1,266,446</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

Town of Courtland, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2025

	<u>General Fund</u>	<u>Special Revenue Trash Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 255,653	\$ -	\$ 255,653
Other local taxes	123,764	-	123,764
Fines and forfeitures	8,389	-	8,389
Use of money and property (loss)	(23,690)	3,823	(19,867)
Charges for services	138	17,110	17,248
Miscellaneous	3,227	-	3,227
<i>Intergovernmental</i>			
Revenue from the Commonwealth of Virginia	96,236	-	96,236
Revenue from the Federal Government	-	-	-
Total Revenues	463,717	20,933	484,650
Expenditures			
Current			
General government administration	214,826	-	214,826
Public safety	165,773	-	165,773
Public works	144,561	12,686	157,247
Parks, recreation, and cultural	10,430	-	10,430
Total Expenditures	535,590	12,686	548,276
Excess (Deficiency) of Revenues Over Expenditures	(71,873)	8,247	(63,626)
Other Financing Sources (Uses)			
Transfers (to) from other funds	17,034	12,686	29,720
Total Other Financing Sources (Uses)	17,034	12,686	29,720
Net Change in Fund Balance	(54,839)	20,933	(33,906)
Fund Balance - Beginning of Year	613,740	112,433	726,173
Fund Balance - End of Year	<u>\$ 558,901</u>	<u>\$ 133,366</u>	<u>\$ 692,267</u>

The accompanying notes to the financial statements are an integral part of this statement.

Town of Courtland, Virginia

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities

Year Ended June 30, 2025

Net Change in Fund Balances - Total Governmental Funds	\$	(33,906)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capitalized assets	\$	-	
Depreciation		<u>(34,516)</u>	(34,516)

Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. This amount represents the difference in the amounts deferred in the fund financial statement but recognized in the Statement of Activities.	7,594
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Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following:

Compensated absences	<u>(2,324)</u>	
Net Adjustment		(2,324)

Governmental funds report pension and OPEB contributions as expenditures. However, in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension/OPEB expense.

Change in net pension and related deferred inflows/outflows	20,059	
Change in OPEB liability and related deferred inflows/outflows	<u>(2,543)</u>	<u>17,516</u>

Change in Net Position of Governmental Activities	\$	<u><u>(45,636)</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

Town of Courtland, Virginia

Statement of Net Position

Proprietary Funds

At June 30, 2025

**Business-Type
Activities -
Enterprise Fund
Water Fund**

Assets**Current Assets**

Cash and cash equivalents	\$	398,170
Accounts receivable		<u>7,334</u>

Total Current Assets		405,504
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Capital Assets, net

	<u>111,489</u>
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Total Assets	\$	<u><u>516,993</u></u>
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Liabilities

Accounts payable	\$	3,414
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Net Position

Net investment in capital assets		111,489
Unrestricted		<u>402,090</u>

Total Net Position		<u>513,579</u>
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Total Liabilities and Net Position	\$	<u><u>516,993</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

Town of Courtland, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2025

	Business-Type Activities - Enterprise Fund Water Fund
Operating Revenues	
Charges for services	\$ 98,835
Total Operating Revenues	98,835
Operating Expenses	
Repairs and maintenance	29,740
Water labor	2,200
Electricity	12,947
Materials and supplies	8,843
Telephone	544
Other miscellaneous	1,715
Water connection	6,000
Water tech samples	3,452
Depreciation	12,019
Total Operating Expenses	77,460
Operating Income	21,375
Nonoperating Revenues (Expenses)	
Interest income	12,674
Total Nonoperating Revenues (Expenses)	12,674
Income Before Operating Transfers	34,049
Operating Transfers In (Out)	(29,720)
Change in Net Position	4,329
Total Net Position - Beginning of Year	509,250
Total Net Position - End of Year	\$ 513,579

The accompanying notes to the financial statements are an integral part of this statement.

Town of Courtland, Virginia

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2025

	Business-Type Activities - Enterprise Fund Water Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 98,506
Payments to suppliers	<u>(64,641)</u>
Net Cash Provided by Operating Activities	33,865
Cash Flows from Noncapital Financing Activities	
Payments made as interfund transfers	<u>(29,720)</u>
Net Cash Used in Noncapital Financing Activities	(29,720)
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	<u>-</u>
Net Cash Used in Capital and Related Financing Activities	-
Cash Flows from Investing Activities	
Interest income	<u>12,674</u>
Net Cash Provided by Investing Activities	<u>12,674</u>
Net Increase in Cash and Cash Equivalents	16,819
Cash - Beginning of Year	<u>381,351</u>
Cash - End of Year	<u><u>\$ 398,170</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 21,375
<i>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</i>	
Depreciation expense	12,019
<i>Changes in assets and liabilities</i>	
Accounts receivable	(329)
Accounts payable	<u>800</u>
Net Cash Provided by Operating Activities	<u><u>\$ 33,865</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

Town of Courtland, Virginia

Notes to the Financial Statements

Year Ended June 30, 2025

1 Summary of Significant Accounting Policies

Narrative Profile

The Town of Courtland, Virginia (the “Town”) is a political subdivision of the Commonwealth of Virginia operating under the Mayor-Council form of government. The elected Mayor and a six-member Town Council are vested with legislative powers, and form the executive and administrative head of the Town’s government.

The Town of Courtland, Virginia engages in a comprehensive range of municipal services, including general government administration, public safety, public works, and parks, recreation, and cultural.

The financial statements of the Town have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government’s accounting policies are described below:

1-A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit’s reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization’s governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the Town of Courtland, Virginia (the primary government).

1-B. Financial Reporting Model

The Town’s Annual Comprehensive Financial Report includes management’s discussion and analysis, the basic financial statements, and required supplementary information, described as follows:

Management’s Discussion and Analysis – The basic financial statements are accompanied by a narrative introduction as well as an analytical overview of the Town’s financial activities.

Government-wide Financial Statements – The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the Town as a whole. These financial statements focus on the primary government; as such, individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the Town’s general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The Statement of Net Position presents the financial position of the governmental and business-type activities of the Town at year end.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and for each identifiable activity of the business-type activities of the Town. Direct expenses are those that are specifically associated with a function and, therefore, clearly identifiable to that particular function. The Town does not allocate indirect expenses to functions in the Statement of Activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not considered to be program revenues are reported as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the Town.

Fund Financial Statements – During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and proprietary funds are reported in separate columns.

Reconciliation of Government-wide and Fund Financial Statements – Since the governmental funds financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total governmental activities net position as shown on the government-wide Statement of Net Position is presented. In addition, a summary reconciliation of the difference between the total net change in fund balances as reflected on the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances, and the change in net position of governmental activities as shown on the government-wide Statement of Activities is presented.

Budgetary Comparison Schedules – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. The Town and many other governments revise their original budgets over the course of the year for a variety of reasons.

GASB-Required Supplementary Pension – GASB issued Statement No. 68–*Accounting and Financial Reporting for Pensions—an amendment of GASB No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

GASB-Required Supplementary OPEB – GASB issued Statement No. 75–*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB).

1-C. Financial Statement Presentation

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following is a brief description of the funds reported by the Town in each of its fund types in the financial statements:

- ***Governmental Funds*** – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Town reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the Town’s major governmental funds:
 - ***General Fund*** – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.
 - ***Special Revenue Funds*** – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. Special Revenue Funds include the following:
 - ***Trash Fund*** – This fund accounts for Town revenues collected and disbursed for Town garbage services provided to its citizens.
 - ***Capital Projects Funds*** – The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. The Town has no Capital Projects funds at this time.

- **Proprietary Funds** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The Town has one enterprise fund, the Water Fund, which accounts for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges.
- **Fiduciary Funds (Custodial Funds)** – Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Custodial funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. The Town has no fiduciary funds at this time.

1-D. Measurement Focus and Basis of Accounting

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general government administration, public safety, public works, parks, recreation, and cultural, etc.) which are otherwise being supported by general government revenues, (property taxes, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (general government administration, public safety, public works, parks, recreation, and cultural, etc.) or a business-type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and, subsequently, remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the Town.

Licenses, permits, fines, and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state, and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditures. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

1-E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity

1-E-1 Cash and Cash Equivalents

The Town operates a cash and investment pool which the general and water funds utilize. All other funds have separate bank accounts and investments. The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

The Town allocates investment earnings of the cash and investment pool to each participating fund on a monthly basis in accordance with that fund's average equity balance in the pool for that month.

1-E-2 Investments

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

State statutes which, in general, allow the Town to invest in obligations of the United States or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), or in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service.

1-E-3 Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portions of the interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statement as internal balances.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. At June 30, 2025, the allowance attributed to property taxes amounted to \$11,982.

General Fund - Taxes Receivable	\$ 73,221
Less: Allowance for Uncollectible	<u>(11,982)</u>
General Fund Taxes Receivable, Net	<u>\$ 61,239</u>

Real and Personal Property Tax Data

The tax calendars for real and personal property taxes are summarized below:

Real Property Personal Property

Due Date	April 1	March 1
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The Town bills and collects its own property taxes.

A ten percent penalty is levied on all taxes not collected on or before March 16 for personal property and May 1 for real estate.

1-E-4 Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not available for general appropriation.

1-E-5 Capital Assets

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The Town reports these assets in the governmental activities column of the government-wide Statement of Net Position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the enterprise funds' Statement of Net Position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$500. The Town's infrastructure consists of water distribution system. Improvements to capital assets are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital assets of the water fund are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Lives</u>
Buildings and improvements	40 years
Vehicles and equipment	10 to 20 years

1-E-6 Deferred Outflows/Inflows of Resources

The Statement of Net Position includes a separate section for Deferred Outflows of Resources. This represents the usage of net position applicable to future periods and will be recognized as expenditures in the future period to which it applies. This category also includes amounts related to pensions for certain actuarially determined differences between projected and actual investment earnings.

The Statement of Net Position also includes a separate section for Deferred Inflows of Resources. This represents the acquisition of net position applicable to future periods and will be recognized as revenue in the future period to which it applies. Currently, this category includes revenue received in advance, and amounts related to pensions for certain actuarially determined differences between projected and actual experience.

Deferred Inflows of Resources in the Governmental Funds Balance Sheet include unavailable revenue. Unavailable revenue consists primarily of special assessment, loans, and notes receivable. The Town considers revenues available if they are collected within 60 days of the end of the fiscal year.

1-E-7 Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Town will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

1-E-8 Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision's Retirement Plan and the additions to/deductions from the Political Subdivision's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS).

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-9 Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are

established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-10 Line of Duty Act Program

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. The Line of Duty Act Program was established pursuant to §9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Line of Duty Act Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net Line of Duty Act Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Line of Duty Act Program OPEB, and Line of Duty Act Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Line of Duty Act Program OPEB Plan and the additions to/deductions from the VRS Line of Duty Act Program OPEB Plan's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-11 Fund Equity

Fund equity at the governmental fund financial reporting level is classified as fund balance. Fund equity for all other reporting is classified as net position.

Governmental Fund Balances – Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which resources can be spent. Fund balances are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – all amounts not classified as nonspendable, restricted, committed, or assigned.

Net Position – Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

Net Position Flow Assumptions - Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions - Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

1-E-12 Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are charges for services for water utilities. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All other items that do not directly relate to the principal and usual activity of the fund are recorded as nonoperating revenues and expenses. These items include investment earnings.

1-E-13 Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds.

1-E-14 Long-Term Obligations

The Town reports long-term debt of Governmental Funds at face value in the general long-term debt account group. The face value of the debt is believed to approximate fair value. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by Proprietary Funds are reported as liabilities in the appropriate funds.

1-E-15 Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

1-E-16 Adoption of New GASB Statements

The Town adopted the following GASB statements during the year ended June 30, 2025:

GASB Statement No. 101, *Compensated Absences* – The objective of this Statement is to better meet the information needs of the financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for the fiscal year June 30, 2025 for the Town.

GASB Statement No. 102, *Certain Risk Disclosures* – The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for the fiscal year June 30, 2025 for the Town.

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this statement are effective for the fiscal year ending June 30, 2025 for the Town.

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

The Town Council annually adopts budgets for the various funds of the primary government. All appropriations are legally controlled at the department level for the primary Government Funds. Unexpended appropriations lapse at the end of each fiscal year.

Budgetary Data

The following procedures are used by the Town in establishing the budgetary data reflected in the financial statements:

1. In April of every year, the Budget Committee meets to discuss and produce the upcoming budget, and submits to the Town Council a proposed operating budget for the fiscal year commencing July 1.

2. The proposed budget is advertised per the Code of Virginia and a public hearing is conducted to obtain citizen comments.
3. The proposed budget is adopted as prescribed in §15.2-2503 of the Code of Virginia.

Expenditures in Excess of Appropriations

Expenditures exceeded appropriations by \$36,414 for the General Fund and \$3,386 in the Trash Fund.

Fund Deficits

There were no fund deficits as of June 30, 2025.

3 Deposits and Investments

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Town policy for eligible investments are governed by State statutes which, in general, allow the Town to invest in obligations of the United States or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), or in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service. Investment income is recorded in the fund in which it is earned.

The Town does not have a formal investment policy.

In addition, the Town also holds common stock in Elevance Health, Inc. (formerly Anthem, Inc.) This stock comprises 8.4% of the Town's total cash and investments.

Custodial Credit Risk

This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have custodial credit risk policies for investments.

Interest Rate Risk

This is the risk of changes in market interest rates which will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the exposure of the Town's debt type investments to this risk, using the segmented time distribution model is as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>Over 10 Years</u>
Elevance Health, Inc. (formerly Anthem, Inc.)	\$ 92,567	\$ 92,567	\$ -	\$ -	\$ -

Credit Risk

Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk exposure. Presented below is the minimum rating required for each type debt investment.

Average Rating

AA+ or higher \$ 92,567

The following is a summary of cash and investments:

<u>Asset Type</u>	<u>Balance June 30, 2025</u>
Petty cash	\$ 100
Deposit accounts	1,003,899
Investments	
Elevance Health, Inc.	92,527
Total Cash and Investments	\$ 1,096,526

The following is a summary and reconciliation of the pooled cash and investments at June 30, 2025:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government			
Cash and investments	\$ 698,356	\$ 398,170	\$ 1,096,526
Total	\$ 698,356	\$ 398,170	\$ 1,096,526

Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as of June 30, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments by Fair Value Level				
Elevance Health, Inc.	\$ 92,527	\$ -	\$ -	\$ 92,527

4 Receivables

Receivables at June 30, 2025 consist of the following:

	<u>Primary Government Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Property taxes	\$ 73,221	\$ -	\$ 73,221
Garbage	1,421	-	1,421
Water fees	-	7,334	7,334
Subtotal	74,642	7,334	81,976
Less: Allowance for uncollectibles	(11,982)	-	(11,982)
Total Receivables	<u>\$ 62,660</u>	<u>\$ 7,334</u>	<u>\$ 69,994</u>

5 Interfund Transfers

Interfund transfers for the year ended June 30, 2025 consisted of the following:

	<u>Transfer to</u>	<u>Transfer from</u>
Primary Government		
General Fund		
From Water Fund for operating costs	\$ -	\$ 17,034
Trash Fund		
From Water Fund for operating costs	-	12,686
Water Fund		
To General Fund for operating costs	17,034	-
To Trash Fund for operating costs	12,686	-
Total Transfers	<u>\$ 29,720</u>	<u>\$ 29,720</u>

The remainder of this page is left blank intentionally.

6 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Capital Assets Not Being Depreciated				
Land	\$ 244,600	\$ -	\$ -	\$ 244,600
Total Capital Assets Not Being Depreciated	244,600	-	-	244,600
Other Capital Assets				
Buildings and improvements	68,900	-	-	68,900
Vehicles and equipment	467,275	-	-	467,275
Total Other Capital Assets	536,175	-	-	536,175
Less: Accumulated depreciation for				
Buildings and improvements	68,900	-	-	68,900
Vehicles and equipment	285,047	34,516	-	319,563
Total Accumulated Depreciation	353,947	34,516	-	388,463
Other Capital Assets, Net	182,228	(34,516)	-	147,712
Net Capital Assets	\$ 426,828	\$ (34,516)	\$ -	\$ 392,312

Depreciation expense was allocated as follows:

Public safety	\$ 5,034
Public works	29,482
	<u>\$ 34,516</u>

Business-Type Activities

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Capital Assets Not Being Depreciated				
Land and land improvements	\$ -	\$ -	\$ -	\$ -
Total Capital Assets Not Being Depreciated	-	-	-	-
Other Capital Assets				
Infrastructure	513,073	-	-	513,073
Equipment	1,547	-	-	1,547
Total Other Capital Assets	514,620	-	-	514,620
Less: Accumulated depreciation for				
Infrastructure	389,565	12,019	-	401,584
Equipment	1,547	-	-	1,547
Total Accumulated Depreciation	391,112	12,019	-	403,131
Other Capital Assets, Net	123,508	(12,019)	-	111,489
Net Capital Assets	\$ 123,508	\$ (12,019)	\$ -	\$ 111,489

7 Compensated Absences

Full-time Town employees earn annual leave at a rate of two weeks per year, which may not be carried over to succeeding years and may be paid if not used prior to termination. Full-time Town employees earn sick leave at the rate of 1 ¼ days per month, which may be accumulated and carried over up to 90 days maximum to succeeding years. Employees who leave employment shall be paid their sick leave balance based on their final rate of pay. Accumulated unpaid sick pay benefits are not accrued when incurred. At June 30, 2025, recorded fund liabilities totaled \$48,805.

8 Long-Term Debt

PRIMARY GOVERNMENT

Annual requirements to amortize long-term debt and related interest are as follows:

<u>Year(s) Ended June 30, 2025</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
Compensated absences	\$ 48,805	\$ -
	<u>\$ 48,805</u>	<u>\$ -</u>

Changes in Long-Term Debt

The following is a summary of changes in long-term obligations of the Town for the year ended June 30, 2025:

	<u>Balance July 1, 2024</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2025</u>	<u>Due Within One Year</u>
Primary Government					
Governmental Activities					
Compensated absences	\$ 46,481	\$ 2,324	\$ -	<u>\$ 48,805</u>	\$ 4,880
Total Governmental Activities	<u>46,481</u>	<u>2,324</u>	<u>-</u>	<u>48,805</u>	<u>4,880</u>
Total Primary Government	<u>\$ 46,481</u>	<u>\$ 2,324</u>	<u>\$ -</u>	<u>\$ 48,805</u>	<u>\$ 4,880</u>

9 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2025 is determined as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>
Net Investment in Capital Assets			
Cost of capital assets	\$ 780,775	\$ 514,620	\$ 1,295,395
Less: Accumulated depreciation	<u>(388,463)</u>	<u>(403,131)</u>	<u>(791,594)</u>
Book value	392,312	111,489	503,801
Less: Capital related debt	<u>-</u>	<u>-</u>	<u>-</u>
Net Investment in Capital Assets	<u>\$ 392,312</u>	<u>\$ 111,489</u>	<u>\$ 503,801</u>

10 Deferred Inflows of Resources

Deferred inflows of resources from unavailable property taxes are comprised of the following:

Primary Government - General Fund

Delinquent taxes not collected within 60 days

\$ 61,239

11 Risk Management

The Town carries commercial insurance for risks of loss, including employee dishonesty and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Surety bond coverage is as follows:

Western Surety Company

Clerk

\$ 10,000

12 Commitments and Contingencies

If applicable, federal programs in which the Town participates were audited in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the requirements of the Uniform Guidance, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

13 Litigation

At June 30, 2025, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions or pending matters not be favorable to such entities.

14 Legal Compliance

The Virginia Public Finance Act contains state law for issuance of long-term and short-term debt. The Act states, in part, that no municipality may issue bonds or other interest-bearing obligations, including existing indebtedness, which will at any time exceed ten percent of the assessed valuation on real estate as shown by the last preceding assessment for taxes. Short-term revenue anticipation bonds/notes, general obligation bonds approved in a referendum, revenue bonds, and contract obligations for publically owned or regional projects should not be included in the debt limitation.

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Property	\$ 98,288,900
Debt Limits per Constitution of Virginia - 10% Assessed Value	\$ 9,828,890
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross Debt	-
Legal Debt Margin - June 30, 2025	\$ 9,828,890

Note: Includes all long-term general obligation bonded debt.

15 Pension Plan

Plan Description

All full-time, salaried permanent employees of the Political Subdivision are automatically covered by a VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS

PLAN 1

About Plan 1

Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.

Eligible Members

Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

PLAN 2

About Plan 2

Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.

Eligible Members

Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election

Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

- The defined benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible Members

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- Political subdivision employees*
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

**Non-Eligible Members*

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

PLAN 1

Retirement Contributions

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Service Credit

Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Vesting

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

PLAN 2

Retirement Contributions

Same as Plan 1.

Service Credit

Same as Plan 1.

Vesting

Same as Plan 1.

HYBRID RETIREMENT PLAN

Retirement Contributions

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Service Credit

Defined Benefit Component:

Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contributions Component:

Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

Vesting

Defined Benefit Component:

Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contributions Component:

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

PLAN 1

Calculating the Benefit

The basic benefit is determined using the average final compensation, service credit, and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

Average Final Compensation

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.

Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.

PLAN 2

Calculating the Benefit

See definition under Plan 1.

Average Final Compensation

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

VRS: Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for service credit earned, purchased, or granted on or after January 1, 2013.

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.

HYBRID RETIREMENT PLAN

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution not required, except as governed by law until age 73.

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1.

Defined Contribution Component:

The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation

Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier

Defined Benefit Component:

VRS: The retirement multiplier for the defined benefit component is 1.00%.

For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

Defined Contribution Component

Not applicable.

PLAN 1
Normal Retirement Age

VRS: Age 65.

Political subdivisions hazardous duty employees:
Age 60.

Earliest Unreduced Retirement Eligibility

VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.

Political subdivisions hazardous duty employees:
Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.

Earliest Reduced Retirement Eligibility

VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.

Political subdivisions hazardous duty employees:
Age 50 with at least five years of service credit.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

Eligibility:

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

PLAN 2
Normal Retirement Age

VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Unreduced Retirement Eligibility

VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equal 90.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Reduced Retirement Eligibility

VRS: Age 60 with at least five years (60 months) of service credit.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Eligibility:

Same as Plan 1

**HYBRID
RETIREMENT PLAN**
Normal Retirement Age

Defined Benefit Component:

VRS: Same as Plan 2.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

VRS: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equal 90.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

VRS: Age 60 with at least five years (60 months) of service credit.

Political subdivisions hazardous duty employees:
Not applicable

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as Plan 1

PLAN 1

Exceptions to COLA Effective Dates:

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability.
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit.

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.

Purchase of Prior Service

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts towards vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.

Purchase of Prior Service

Same as Plan 1

HYBRID RETIREMENT PLAN

Exceptions to COLA Effective Dates:

Same as Plan 1

Disability Coverage

Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component:

Not applicable

Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	3
Inactive members:	
Vested inactive members	0
Non-vested inactive members	0
LTD	0
Inactive members active elsewhere in VRS	0
Active members	<u>2</u>
Total covered employees	<u>5</u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

If the employer used the certified rate: The Town of Courtland, Virginia's contractually required contribution rate for the year ended June 30, 2025 was 5.69% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town of Courtland, Virginia were \$8,022 and \$-0- for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$-0- for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$-0- for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$-0- for the year ended June 30, 2025.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For Town of Courtland, Virginia, the net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2023 rolled forward to the measurement date of June 30, 2024.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2023 using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Inflation 2.50%

Salary increases, including inflation 3.50% - 5.35%

Investment rate of return 6.75%, net of pension plan investment expenses, including inflation*

Mortality rates:

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related.

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

Mortality rates:

All Others (Non 10 Largest) – Hazardous Duty; 45% of deaths are assumed to be service related.

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnership	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	<u>-3.00%</u>	3.50%	<u>-0.11%</u>
Total	<u>100.00%</u>		<u>7.07%</u>

Expected arithmetic nominal return*

7.07%

**The above allocation provides a one-year return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.*

On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. For the year ended June 30, 2024, the employer contribution rate is 100% of the actuarially determined employer contribution rate from the June 30, 2023, actuarial valuations. From July 1, 2024 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2023	\$ 693,922	\$ 915,700	\$ (221,778)
Changes for the Year			
Service cost	24,642	-	24,642
Interest	47,867	-	47,867
Benefit changes	-	-	-
Assumption changes	-	-	-
Differences between expected and actual experience	(3,819)	-	(3,819)
Contributions - employer	-	-	-
Contributions - employee	-	6,714	(6,714)
Net investment income	-	88,786	(88,786)
Benefit payments, including refunds	(18,851)	(18,851)	-
Administrative expenses	-	(577)	577
Other changes	-	19	(19)
Net Changes	49,839	76,091	(26,252)
Balances at June 30, 2024	\$ 743,761	\$ 991,791	\$ (248,030)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Town of Courtland, Virginia using the discount rate of 6.75%, as well as what the Town of Courtland, Virginia's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's Net Pension Liability (Asset)	\$ (172,436)	\$ (248,030)	\$ (313,296)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2025, the Town of Courtland, Virginia recognized pension expense (income) of \$(12,037). At June 30, 2025, the Town of Courtland, Virginia reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,185
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	25,597
Employer contributions subsequent to the measurement date	<u>8,022</u>	<u>-</u>
Total	<u>\$ 8,022</u>	<u>\$ 26,782</u>

\$8,022 reported as deferred outflows of resources related to pensions resulting from the Town of Courtland, Virginia's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended
June 30,**

2026	\$ (23,227)
2027	6,988
2028	(5,063)
2029	(5,480)
2030	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2024 Annual Report. A copy of the 2024 VRS ACFR may be downloaded from the VRS website at varetire.org/media/shared/pdf/publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

16 Other Post-Employment Benefits - Group Life Insurance Program

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.
Benefit Amounts The benefits payable under the Group Life Insurance Program have several components. • <i>Natural Death Benefit</i> – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <i>Accidental Death Benefit</i> – The accidental death benefit is double the natural death benefit. • <i>Other Benefit Provisions</i> – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: - Accidental dismemberment benefit - Safety belt benefit - Repatriation benefit - Felonious assault benefit - Accelerated death benefit option
Reduction in Benefit Amounts The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$9,532 as of June 30, 2025.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% X 60%) and the employer component was 0.47% (1.18% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2025 was 0.47% of covered employee compensation. This rate was the final approved General Assembly rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were \$663 and \$725 for the years ended June 30, 2025 and June 30, 2024, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2025, the participating employer reported a liability of \$5,803 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2024 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2024 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the participating employer's proportion was .00052% as compared to .00052% at June 30, 2023.

For the year ended June 30, 2025, the participating employer recognized GLI OPEB expense of \$119. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2025, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 915	\$ 142
Net difference between projected and actual earnings on GLI OPEB program investments	-	489
Change in assumptions	33	288
Changes in proportionate share	3	12
Employer contributions subsequent to the measurement date	<u>663</u>	<u>-</u>
Total	<u>\$ 1,614</u>	<u>\$ 931</u>

\$663 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30,</u>	
2026	\$ (262)
2027	108
2028	18
2029	66
2030	90
Thereafter	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Inflation	2.50%
Salary increases, including inflation -	
Locality - General employees	3.50% - 5.35%
Locality - Hazardous Duty employees	3.50% - 4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation *

Mortality rates – Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2024, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

**Group Life Insurance
OPEB Program**

Total GLI OPEB Liability	\$ 4,196,055
Plan Fiduciary Net Position	<u>3,080,133</u>
GLI Net OPEB Liability (Asset)	<u><u>\$ 1,115,922</u></u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	73.41%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnership	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	<u>-3.00%</u>	3.50%	<u>-0.11%</u>
Total	<u>100.00%</u>		<u>7.07%</u>

Expected arithmetic nominal return* **7.07%**

**The above allocation provides a one-year return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.*

On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2024 the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate. From July 1, 2024 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
State agency's proportionate share of the Group Life Insurance Plan Net OPEB Liability	\$ 9,024	\$ 5,803	\$ 3,200

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2024 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2024-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

17 Other-Postemployment Benefits – Line of Duty Program

Plan Description

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The specific information for LODA OPEB, including eligibility, coverage and benefits is set out in the table below:

LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS
Eligible Employees The eligible employees of the LODA Program include paid employees and volunteers in hazardous duty positions in Virginia localities as well as hazardous duty employees who are covered under the VRS, SPORS, or VaLORS.
Benefit Amounts LODA provides death and health insurance benefits for eligible individuals: • Death: The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: ○ \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after ○ \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date. The benefit will be \$75,000 for approved presumptive deaths occurring on or after January 1, 2025. ○ An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001. • Health Insurance: The LODA program provides health insurance benefits. ○ The health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members.

Contributions

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2025 was \$1,015.00 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2024 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$2,028 and \$1,660 for the years ended June 30, 2025 and June 30, 2024, respectively.

Line of Duty Act Program (LODA) OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB

At June 30, 2025, the entity reported a liability of \$43,330 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2024 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2024 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2024, the entity's proportion .01101% as compared to .01028% at June 30, 2023.

For the year ended June 30, 2025, the entity recognized LODA OPEB expense of \$5,114. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2025, the agency reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,508	\$ 10,584
Net difference between projected and actual earnings on LODA OPEB program investments	-	143
Change in assumptions	7,988	8,727
Changes in proportionate share	14,768	18,225
Employer contributions subsequent to the measurement date	<u>2,028</u>	<u>-</u>
Total	<u>\$ 26,292</u>	<u>\$ 37,679</u>

\$2,028 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the Fiscal Year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

2026	\$ (1,077)
2027	(948)
2028	(1,134)
2029	(1,495)
2030	(1,907)
Thereafter	(6,854)

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Inflation	2.50%
Salary increases, including inflation - Locality employees	N/A
Medical cost trend rates assumption - Under age 65 Ages 65 and older	7.25% - 4.25% 6.50% - 4.25%
Year of ultimate trend rate Under age 65 Ages 65 and older	Fiscal year ended 2034 Fiscal year ended 2034
Investment rate of return	3.97%, including inflation*

**Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.97% was used since it approximates the risk-free rate of return.*

Mortality rates – Non-Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability lift expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program (LODA) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2024, NOL amounts for the Line of Duty Act Program (LODA) is as follows (amounts expressed in thousands):

	<u>Line of Duty Act Program</u>
Total LODA OPEB Liability	\$ 398,395
Plan Fiduciary Net Position	<u>4,841</u>
LODA Net OPEB Liability (Asset)	<u><u>\$ 393,554</u></u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.22%

The total LODA OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.97% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments' 6.75% assumption. Instead, the assumed annual rate of return of 3.97% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Fidelity Fixed Income General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2024.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.97%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2024, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.97%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower 2.97% or one percentage point higher 4.97% than the current rate:

	1.00% Decrease <u>2.97%</u>	Current Discount <u>3.97%</u>	1.00% Increase <u>4.97%</u>
Covered Employer's Proportionate Share of the LODA Net OPEB Liability	\$ 48,035	\$ 43,330	\$ 39,285

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the Line of Duty Act Program (LODA) contains a provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using health care trend rate of 7.25% decreasing to 4.25%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.25% decreasing to 3.25%) or one percentage point higher (8.25% decreasing to 5.25%) than the current rate:

	1.00% Decrease (6.25% decreasing to <u>3.25%</u>	Current Trend Rate (7.25% decreasing to <u>4.25%</u>	1.00% Increase (8.25% decreasing to <u>5.25%</u>
Covered employer's proportionate share of the LODA Net OPEB Liability	\$ 36,912	\$ 43,330	\$ 51,206

LODA OPEB Plan Fiduciary Net Position

Detailed information about the Line of Duty Act Program (LODA) Fiduciary Net Position is available in the separately issued VRS 2024 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2024-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

18 Aggregate OPEB Information

	Primary Government			
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liability</u>	<u>OPEB Expense</u>
VRS OPEB Plans				
<i>Group Life Insurance</i>				
Primary Government	\$ 1,614	\$ 931	\$ 5,803	\$ 119
<i>Line of Duty Program</i>				
Primary Government	<u>26,292</u>	<u>37,679</u>	<u>43,330</u>	<u>5,114</u>
Totals	<u>\$ 27,906</u>	<u>\$ 38,610</u>	<u>\$ 49,133</u>	<u>\$ 5,233</u>

19 Fund Balances – Governmental Funds

As of June 30, 2025, fund balances are composed of the following:

<u>Fund</u>	<u>Assigned</u>	<u>Amount</u>
Trash	Subsequent years' appropriations	<u>\$ 133,366</u>

20 Upcoming Pronouncements

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

21 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2025 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2025. Management has performed their analysis through May 28, 2026.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Courtland, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance With Original Budget Over (Under) Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over (Under) Actual Amounts</u>
General Fund					
Revenues					
General Property Taxes					
Real estate taxes	\$ 133,000	\$ 133,000	\$ -	\$ 126,445	\$ (6,555)
Personal property taxes	91,500	91,500	-	92,316	816
Delinquent taxes	18,400	18,400	-	28,787	10,387
Interest and penalties	5,000	5,000	-	8,105	3,105
Total General Property Taxes	247,900	247,900	-	255,653	7,753
Other Local Taxes					
Local sales and use taxes	40,990	40,990	-	47,984	6,994
Motor vehicle licenses	14,000	14,000	-	15,129	1,129
Bank franchise tax	52,481	52,481	-	45,829	(6,652)
Consumption taxes	3,560	3,560	-	4,473	913
Business license taxes	6,000	6,000	-	10,349	4,349
Total Other Local Taxes	117,031	117,031	-	123,764	6,733
Revenue from Use of Money and Property					
Cemetery lot sales	3,686	3,686	-	-	(3,686)
Unrealized gains on investments	-	-	-	(38,447)	(38,447)
Interest income	7,000	7,000	-	14,757	7,757
Total Revenue from Use of Money and Property	10,686	10,686	-	(23,690)	(34,376)
Charges for Services					
Convenience fees	-	-	-	138	138
Total Charges for Services	-	-	-	138	138
Fines and Forfeitures					
	100	100	-	8,389	8,289
Miscellaneous					
Miscellaneous and other refunds	6,188	6,188	-	3,227	(2,961)
Total Miscellaneous	6,188	6,188	-	3,227	(2,961)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance With Original Budget Over (Under) Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over (Under) Actual Amounts</u>
Intergovernmental					
<i>Revenue from the Commonwealth of Virginia</i>					
Noncategorical Aid					
Communications tax	4,252	4,252	-	3,852	(400)
Rolling stock tax	877	877	-	1,044	167
Personal Property Tax Relief Act (PPTRA)	-	-	-	36,914	36,914
Subtotal - Noncategorical Aid	5,129	5,129	-	41,810	36,681
Categorical Aid					
Fire program	15,000	15,000	-	15,000	-
Law enforcement grant	36,000	36,000	-	39,426	3,426
Total Revenue from the Commonwealth of Virginia	56,129	56,129	-	96,236	40,107
<i>Revenue from the Federal Government</i>					
ARPA Funds	-	-	-	-	-
Total Revenue from the Federal Government	-	-	-	-	-
Total Intergovernmental Revenue	56,129	56,129	-	96,236	40,107
Total Revenues	438,034	438,034	-	463,717	25,683
Expenditures					
<i>General Government Administration</i>					
Salaries and wages - administration	55,036	55,036	-	59,078	4,042
Insurance - liability and bonds	39,600	39,600	-	43,067	3,467
Group health and life insurance	30,221	30,221	-	30,220	(1)
Payroll taxes	18,637	18,637	-	23,384	4,747
Equipment	-	-	-	6,272	6,272
Town council and manager	7,600	7,600	-	7,000	(600)
Dues	3,600	3,600	-	2,855	(745)
Office supplies and postage	4,900	4,900	-	4,087	(813)
Telephone	3,540	3,540	-	3,974	434
VRS retirement and group life	2,799	2,799	-	9,000	6,201
Election	4,000	4,000	-	-	(4,000)
Legal and accounting	12,000	12,000	-	24,092	12,092
Other charges and miscellaneous expenses	1,250	1,250	-	1,797	547
Total General Government Administration	183,183	183,183	-	214,826	31,643
<i>Public Safety</i>					
<i>Police Department</i>					
Salaries	110,518	110,518	-	139,460	28,942
Police department expenses	8,000	8,000	-	11,313	3,313
Total Police Department	118,518	118,518	-	150,773	32,255
<i>Fire Department</i>					
Other fire department expenses	15,000	15,000	-	15,000	-
Total Fire Department	15,000	15,000	-	15,000	-
Total Public Safety	133,518	133,518	-	165,773	32,255

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance With Original Budget Over (Under) Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over (Under) Actual Amounts</u>
<i>Public Works</i>					
Salaries and wages	75,343	75,343	-	76,956	1,613
Electricity and street lights	26,000	26,000	-	25,356	(644)
Gasoline and oil	23,000	23,000	-	17,485	(5,515)
Mosquito expense	9,208	9,208	-	3,896	(5,312)
Materials and supplies	7,500	7,500	-	7,113	(387)
Trucks, mowers, repairs, and maintenance	8,650	8,650	-	5,806	(2,844)
Miscellaneous	4,294	4,294	-	1,115	(3,179)
Mowing	8,000	8,000	-	6,316	(1,684)
Sewer	480	480	-	518	38
Total Public Works	162,475	162,475	-	144,561	(17,914)
<i>Parks, Recreation, and Cultural</i>					
Parks and recreation	7,500	7,500	-	1,367	(6,133)
Cemetery property	3,500	3,500	-	-	(3,500)
Donations	9,000	9,000	-	9,063	63
Total Parks, Recreation, and Cultural	20,000	20,000	-	10,430	(9,570)
Total Expenditures	499,176	499,176	-	535,590	36,414
Excess (Deficiency) of Revenues Over Expenditures	(61,142)	(61,142)	-	(71,873)	(10,731)
Other Financing Sources (Uses)					
Transfers (to) from other funds	-	-	-	17,034	17,034
Total Other Financing Sources (Uses)	-	-	-	17,034	17,034
Net Change in Fund Balance Before Surplus	(61,142)	(61,142)	-	(54,839)	6,303
From Surplus	61,142	61,142	-	-	(61,142)
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	(54,839)	<u>\$ (54,839)</u>
Fund Balance - Beginning of Year				613,740	
Fund Balance - End of Year				<u>\$ 558,901</u>	

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance With Original Budget Over (Under) Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over (Under) Actual Amounts</u>
Trash Fund					
Revenues					
Revenue from Use of Money and Property					
Interest income	\$ 3,000	\$ 3,000	\$ -	\$ 3,823	\$ 823
Total Revenue from Use of Money and Property	3,000	3,000	-	3,823	823
Charges for Services					
Trash collection fees	16,000	16,000	-	17,110	1,110
Total Charges for Services	16,000	16,000	-	17,110	1,110
Total Revenues	19,000	19,000	-	20,933	1,933
Expenditures					
<i>Public Works - Trash Collection</i>					
Trash truck expenses	9,300	9,300	-	12,686	3,386
Total Expenditures	9,300	9,300	-	12,686	3,386
Excess (Deficiency) of Revenues Over Expenditures	9,700	9,700	-	8,247	(1,453)
Other Financing Sources (Uses)					
Transfers from (to) other funds	-	-	-	12,686	12,686
Total Other Financing Sources (Uses)	-	-	-	12,686	12,686
Net Change in Fund Balance Before Surplus	9,700	9,700	-	20,933	11,233
From Surplus	(9,700)	(9,700)	-	-	9,700
Net Change in Fund Balance After Surplus	\$ -	\$ -	\$ -	20,933	\$ 20,933
Fund Balance - Beginning of Year				112,433	
Fund Balance - End of Year				\$ 133,366	

Town of Courtland, Virginia

Schedule of Changes in the Political Subdivision's Net Pension Liability
and Related Ratios

For the Plan Years Ended June 30 (in thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability										
Service cost	\$ 24,642	\$ 24,106	\$ 21,142	\$ 23,703	\$ 22,910	\$ 21,303	\$ 19,926	\$ -	\$ -	\$ -
Interest	47,867	44,281	42,217	36,933	34,574	31,907	31,961	-	-	-
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(3,819)	2,543	(18,657)	(3,253)	(6,518)	5,698	(37,324)	-	-	-
Assumption changes	-	-	-	16,023	-	13,170	-	-	-	-
Benefit payments	(18,851)	(17,832)	(16,359)	(16,160)	(15,873)	(15,495)	(15,172)	-	-	-
Refunds of contributions	-	-	-	-	-	-	-	-	-	-
Net change in total pension liability	49,839	53,098	28,343	57,246	35,093	56,583	(609)	-	-	-
Total pension liability - beginning	693,922	640,824	612,481	555,235	520,142	463,559	464,168	-	-	-
Total pension liability - ending (a)	\$ 743,761	\$ 693,922	\$ 640,824	\$ 612,481	\$ 555,235	\$ 520,142	\$ 463,559	\$ -	\$ -	\$ -
Plan fiduciary net position										
Contributions - employer	\$ -	\$ -	\$ -	\$ -	\$ 129	\$ 123	\$ 4,183	\$ -	\$ -	\$ -
Contributions - employee	6,714	6,104	5,683	5,359	5,359	5,128	5,027	-	-	-
Net investment income	88,786	56,335	(980)	192,217	13,369	44,390	46,341	-	-	-
Benefit payments	(18,851)	(17,832)	(16,359)	(16,160)	(15,873)	(15,495)	(15,172)	-	-	-
Administrator charges	(577)	(559)	(549)	(476)	(455)	(439)	(397)	-	-	-
Other	19	22	20	18	(16)	(28)	(41)	-	-	-
Net change in plan fiduciary net position	76,091	44,070	(12,185)	180,958	2,513	33,679	39,941	-	-	-
Plan fiduciary net position - beginning	915,700	871,630	883,815	702,857	700,344	666,665	626,724	-	-	-
Plan fiduciary net position - ending (b)	\$ 991,791	\$ 915,700	\$ 871,630	\$ 883,815	\$ 702,857	\$ 700,344	\$ 666,665	\$ -	\$ -	\$ -
Political subdivision's net pension liability (asset) - ending (a - b)	\$ (248,030)	\$ (221,778)	\$ (230,806)	\$ (271,334)	\$ (147,622)	\$ (180,202)	\$ (203,106)	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of the total pension liability	133.35%	131.96%	136.02%	144.30%	126.59%	134.64%	143.81%	0.00%	0.00%	0.00%
Covered payroll	\$ 134,279	\$ 122,071	\$ 113,661	\$ 107,174	\$ 107,174	\$ 102,559	\$ 102,559	n/a	n/a	n/a
Political subdivision's net pension liability as a percentage of covered payroll	-184.71%	-181.68%	-203.07%	-253.17%	-137.74%	-175.71%	-198.04%	0.00%	0.00%	0.00%

Town of Courtland, Virginia

Schedule of Employer Contributions

Political Subdivisions Retirement Plan

For the Years Ended June 30, 2016 through 2025

Date	Contractually Required Contribution (1)*	Contribution in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2025	\$ 8,022	\$ 8,022	\$ -	\$ 140,993	5.69%
2024	-	-	-	134,279	0.00%
2023	-	-	-	122,071	0.00%
2022	-	-	-	113,661	0.00%
2021	-	-	-	107,174	0.00%
2020	129	129	-	107,174	0.12%
2019	123	123	-	102,559	0.12%
2018	123	123	-	102,559	0.12%
2017	n/a	n/a	n/a	n/a	n/a
2016	n/a	n/a	n/a	n/a	n/a

*Includes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

For Reference Only:

Column 1 – Employer contribution rate multiplied by the employer's covered payroll

Column 2 – Employer contributions as referenced in Covered Payroll & Contributions report on VRS website

Column 4 – Employer's covered payroll amount for the fiscal year

Note: This schedule should present 10 years of data; however, the information prior to fiscal year 2018 is not available.

Town of Courtland, Virginia

Notes to Required Supplementary Information

For the Year Ended June 30, 2025

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Rates Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Town of Courtland, Virginia

Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Plan (GLI)

For the Measurement Dates of June 30, 2017 through 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.00052%	0.00052%	0.00052%	0.00052%	0.00052%	0.05200%	0.00053%	0.00600%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 5,803	\$ 6,236	\$ 6,261	\$ 6,054	\$ 8,677	\$ 8,462	\$ 9,000	\$ 9,000
Employer's Covered Payroll	\$ 134,279	\$ 122,071	\$ 113,661	\$ 107,174	\$ 107,174	\$ 102,559	\$ 100,548	\$ 110,768
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	4.32%	5.11%	5.51%	5.65%	8.10%	8.25%	8.95%	8.13%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	73.41%	69.30%	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

*Schedule is intended to show information for 10 years.
Since 2024 is the eighth year for this presentation, there are only eight years available. However, additional years will be included as they become available.*

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on pages 130 and 131 of the VRS 2024 Annual Report.

Town of Courtland, Virginia

Schedule of Employer Contributions

Group Life Insurance OPEB Plan

For the Years Ended June 30, 2016 through 2025

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Payroll (5)
2025	\$ 663	\$ 663	\$ -	\$ 140,993	0.47%
2024	725	725	-	134,279	0.54%
2023	659	659	-	122,071	0.54%
2022	614	614	-	113,661	0.54%
2021	579	579	-	107,174	0.54%
2020	557	557	-	107,174	0.52%
2019	533	533	-	102,559	0.52%
2018	523	523	-	100,548	0.52%
2017	576	576	-	110,768	0.52%
2016	667	604	63	125,919	0.48%

For Reference Only:

Column 1 - Employer contribution rate multiplied by the employer's covered payroll.

Column 2 - Employer contributions as reference in Covered Payroll & Contributions.
report on VRS website.

Column 4 - Employer's covered payroll amount for the fiscal year.

Town of Courtland, Virginia

Notes to Required Supplementary Information – GLI OPEB

For the Year Ended June 30, 2025

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Town of Courtland, Virginia

Schedule of Employer's Share of Net OPEB Liability
Line of Duty Act (LODA)
For the Measurement Dates of June 30, 2017 through 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net LODA OPEB Liability (Asset)	0.01101%	0.01028%	0.01574%	0.01563%	0.01039%	0.01052%	0.01066%	0.01052%
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset)	\$ 43,330	\$ 41,212	\$ 59,569	\$ 68,927	\$ 43,515	\$ 37,744	\$ 34,000	\$ 28,000
Covered - Employee Payroll	\$ 124,801 *	\$ 51,278 *	\$ 107,793 *	\$ 93,177 *	\$ 103,364 *	\$ 92,592 *	\$ 93,932 *	\$ 73,974 *
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered - Employee Payroll	34.72% *	80.37% *	55.26% *	73.97% *	42.10% *	40.76% *	36.20% *	37.85% *
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.22%	1.31%	1.87%	1.68%	1.02%	0.79%	0.60%	1.30%

Schedule is intended to show information for 10 years. Since 2024 is the eighth year for this presentation, there are only eight years available. However, additional years will be included as they become available.

**The contributions for the Line of Duty Act Program are based on the number of participants in the program using a per capita-based contribution versus payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.*

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Line of Duty Act Program (LODA) for each year is presented on pages 138 and 139 of the VRS 2024 Annual Report.

Town of Courtland, Virginia

Schedule of Employer Contributions

Line of Duty Act Program (LODA)

For the Years Ended June 30, 2016 through 2025

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered - Employee Payroll (4)	Contributions as a % of Covered - Employee Payroll (5)
2025	\$ 2,028	\$ 2,028	\$ -	\$ 139,460 *	1.45% *
2024	1,660	1,660	-	124,801 *	1.33% *
2023	1,364	1,364	-	51,278 *	2.66% *
2022	2,168	2,168	-	107,793 *	2.01% *
2021	2,152	2,152	-	93,177 *	2.31% *
2020	1,412	1,412	-	103,364 *	1.37% *
2019	1,412	1,412	-	92,592 *	1.52% *
2018	1,135	1,135	-	93,932 *	1.21% *
2017	1,135	1,135	-	73,974 *	1.53% *
2016	N/A	N/A	N/A	N/A *	N/A *

**The contributions for the Line of Duty Act Program are based on the number of participants in the program using a per capita-based contribution versus a payroll-based contribution. Therefore, a covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan.*

For Reference Only:

Column 1 – Employer contribution rate multiplied by the employer's covered payroll

Column 2 – Employer contributions as referenced in Covered Payroll & Contributions report on VRS website

Column 4 – Covered-employee payroll amount for the fiscal year

Town of Courtland, Virginia

Notes to Required Supplementary Information – VRS OPEB LODA

For the Year Ended June 30, 2025

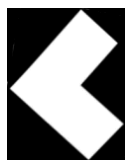
Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Employees in the Non-Largest Ten Locality Employers with Public Safety Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a Modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

COMPLIANCE SECTION



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Town Council
Town of Courtland, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Courtland, Virginia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Town of Courtland, Virginia's basic financial statements and have issued our report thereon dated May 28, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Courtland, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Courtland, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Courtland, Virginia's internal control.

A deficiency *in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Courtland, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Creedle, Jones & Associates, P.C." in a cursive script.

Creedle, Jones & Associates, P.C.
Certified Public Accountants

South Hill, Virginia
May 28, 2026